MARKET REPORT

Certainty Sells: Positioning Your Hotel for Maximum Buyer Activity

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Hotel sellers can maximize buyer activity by reducing uncertainty before going to market. Presenting transparent financials, organized due diligence, and clear investment storytelling gives buyers the context needed to evaluate the hotel. By addressing risks early and explaining performance drivers, owners can build buyer confidence and improve the likelihood of a successful closing.

Hotels continue to attract significant investor interest, particularly well-located assets with strong operating fundamentals. However, investors have become increasingly disciplined in their underwriting and are far more discerning than they were just a few years ago. Higher financing costs, increased insurance premiums, rising labor expenses, and more selective lending have fundamentally changed how investors underwrite acquisitions. As a result, successfully attracting buyer interest requires positioning an asset in a way that reduces uncertainty and strengthens investor conviction.

Having represented numerous hotel transactions over the past several years, I have observed that successful sales often begin well before a property is officially marketed. Owners who invest time preparing their hotel, anticipating buyer concerns, and communicating both current performance and future upside are more likely to attract strong buyer interest and achieve successful outcomes.

Turning Uncertainty into Opportunity

Today's buyers evaluate risk just as carefully as opportunity, and many transactions lose momentum not because of the hotel's performance, but because important questions remain unanswered during due diligence. Organizing key information, including historical financial statements, STR/CoStar reports, franchise documentation, property tax records, insurance history, and capital improvement summaries, before bringing a hotel to market allows buyers to evaluate risk more efficiently.

Equally important is addressing known issues proactively. If a change-of-ownership property improvement plan (PIP) has been discussed with the brand, ownership has recently completed significant renovations or deferred maintenance projects, or the hotel is facing any specific factors affecting performance, the details should be communicated early in the marketing process. Reducing uncertainty allows buyers to focus on the investment opportunity rather than potential risks.

Beyond Historical Performance: The Investment Narrative

A common misconception among hotel owners is that hotel buyers make a purchase based solely on historical financial statements. In fact, strong historical financial performance alone does not guarantee buyer interest. While operating performance remains the foundation of every acquisition, sophisticated investors are ultimately purchasing confidence in the property's future cash flow. When looking into an acquisition, investors want to understand whether current operating results are sustainable, what factors will influence future performance, and what opportunities remain for growth.

For this reason, every hotel should be presented with a clear investment story as well as the operating statements, and the offering memorandum should highlight specific factors driving results:

- Has average rate steadily increased?
- Has occupancy grown or remained stable despite market headwinds?
- Are new demand generators entering the market?
- How has the property performed against its competitive set?
- Would renovations improve performance?
- Has ownership maintained the property to brand and market standards?

Real-World Example

> *The occupancy of a full-service Holiday Inn in San Antonio was trailing its competitive set—a red flag on paper. However, ownership explained that the hotel had temporarily lost large corporate accounts because its meeting space had been taken offline and used as storage during a renovation. Given this information, the buyer recognized that restoring the meeting space would allow the hotel to compete for corporate business again, creating a realistic path to stronger occupancy, ADR, and profitability after the acquisition.*

Providing context helps buyers distinguish between temporary challenges and long-term performance issues while identifying opportunities for future value creation.

Building Trust Through Transparency

Transparency is one of the most underrated factors in a successful hotel sale. Buyers understand that no property is perfect, and most are comfortable underwriting known capital expenditures or operational challenges. What does concern buyers is discovering issues late in the process or feeling that information has been withheld. That uncertainty often leads to re-trades, prolonged negotiations, or even failed transactions.

Real-World Example

> *In recent letter of intent (LOI) negotiations for a Staybridge Suites in Houston, the buyer's roof inspection nearly stalled the deal. In response to the inspection, the seller openly shared the roof's condition, its previous repairs, and the replacement timeline. With that information, the buyer was able to underwrite the expected capital expenditure and incorporate it into the offer before executing the LOI. As a result, there were no surprises once the property went under contract, allowing due diligence to proceed with aligned expectations and significantly less execution risk.*

Ultimately, transparency builds credibility. Buyers who feel they have a complete understanding of a property's strengths and challenges are more likely to submit competitive offers, move efficiently through due diligence, and close the deal.

Pricing for Maximum Buyer Engagement

Owners naturally focus on maximizing value, but pricing well above market expectations often reduces buyer engagement before underwriting even begins. Assets positioned within a realistic valuation range frequently generate greater competition, stronger negotiations, and, in many cases, a higher final price through multiple-offer situations.

Real-World Example

> *Fifteen offers. That's what a distressed Hampton Inn & Suites in Houston generated when priced to move rather than priced to maximize. By entering the market at a competitive asking price, the hotel drew broad buyer participation and sparked a bidding environment that pushed the final sales price approximately 25% above the original ask. The transaction demonstrated that attracting more qualified buyers often produces a stronger outcome than limiting interest with an aggressive initial price.*

Today's buyers compare every acquisition opportunity against replacement cost, financing availability, anticipated capital expenditures, and projected cash-on-cash returns. A pricing strategy that acknowledges these realities is far more likely to generate meaningful activity than one based solely on ownership expectations.

The Professionalism Factor

First impressions increasingly occur online. Long before buyers tour the property, they have already reviewed the offering memorandum, analyzed the financial statements, and formed an initial opinion of the investment opportunity. Professional photography, organized due diligence, concise financial presentations, and a well-written executive summary all communicate credibility.

Responsiveness is also crucial. In today's market, buyers are often evaluating dozens, if not hundreds, of opportunities at any given time. Their attention can be short-lived, making timely communication critical. A seller’s ability to respond quickly, provide requested information, and keep the process moving signals commitment, professionalism, and a genuine intent to sell. Delayed responses can cause buyers to lose interest, pursue other opportunities, or question the owner’s commitment to completing a transaction.

Every interaction shapes a buyer's perception of the opportunity. While well-prepared marketing materials generate initial interest, timely communication sustains that momentum. In many cases, maintaining that momentum can be the difference between a successful closing and a missed opportunity.

The Bottom Line

Today's buyers reward certainty. Owners who invest time preparing their hotel, communicate transparently, respond promptly, and present a compelling investment story consistently position themselves for a successful sale.

Ultimately, maximizing buyer activity comes from more than simply marketing a hotel. It requires reducing uncertainty, building trust, and giving buyers the confidence to move forward.

At HVS, our Brokerage & Advisory team combines comprehensive market intelligence with firsthand insights gathered through ongoing conversations with hotel owners, investors, lenders, operators, and developers. This boots-on-the-ground perspective, paired with our deep understanding of transaction activity and buyer sentiment, allows us to identify emerging trends, uncover opportunities, and provide strategic guidance tailored to each market. For more information about hotel investment and transaction activity across the nation, including opportunities in primary, secondary, and emerging markets in Texas, please contact James Rebullida.